

DRAFT DIRECTIVE TRANSMITTAL
WORKFORCE INVESTMENT ACT

Number: WIADD-65

Date: December 30, 2003

TO: WORKFORCE DEVELOPMENT COMMUNITY

SUBJECT: ALLOWABLE COSTS

☒ **IMMEDIATE ACTION**

Bring this draft to the attention of the appropriate staff.

☒ **E-MAIL COPY TRANSMITTED**

Number of pages (including coversheet): 7

If there are any problems with this transmittal, please call Celia Guzman at 916/654-9767.

SUBJECT MATTER HIGHLIGHTS:

Please review and comment on the attached draft directive.

This directive provides combined state and federal guidance regarding the general cost principles and allowable costs under the Workforce Investment Act (WIA) program. This directive supercedes Directive WIAD00-1 of August 24, 2000.

COMMENTS ARE DUE BY:

1/16/04

Comments can be submitted through one of the following ways:

- 1) **Web site** — www.edd.ca.gov/wiarep/wiainp.htm
- 2) **Fax** — WID, Attention: Grey S. Rider III at 916/654-9586
- 3) **E-Mail** — grider@edd.ca.gov (Include "draft comments" in the subject line)
- 4) **Mail** — WID / P.O. Box 826880 / MIC 69 / Sacramento, CA 94280-0001

All comments received by the end of the comment period will be considered before the final directive is issued. However, we will not be able to individually respond to comments. **Comments received after the specified due date will not be considered.**

If you have any questions, contact your WID Regional Advisor at (916) 653-6347.

DRAFT DIRECTIVE

WORKFORCE INVESTMENT ACT

Number:

Date:

69:136:lh:7281

TO: WORKFORCE DEVELOPMENT COMMUNITY

SUBJECT: ALLOWABLE COSTS

EXECUTIVE SUMMARY:

Purpose:

This directive provides combined State and federal guidance regarding the general cost principles and allowable costs under the Workforce Investment Act (WIA) program.

Scope:

This directive requires that all subrecipients expending WIA funds shall comply with federal and State guidance regarding the allowability of expenditures.

Effective Date:

This directive is effective on date of issue.

REFERENCES:

- One-Stop Comprehensive Financial Management Technical Assistance Guide, Department of Labor, July 2002, Chapters II-3, Cost Principles and II-4 Allowable Costs
- WIA Sections 117(f)(1), 129(c)(6), 134(d)(2) through (4), 181(d) and (e), and 188(a)(3)
- Title 20 Code of Federal Regulations (CFR), WIA Final Rule, Sections 661.310, 667.200(c), and 667.260 through 667.268
- Title 29 CFR Part 95.27 and Part 95.48
- Title 29 CFR Part 97.22
- Title 48 CFR Part 31 Contract Cost Principles and Procedures
- Office of Management and Budget Circulars (OMB) A-21, Cost Principles for Educational Institutions
- OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments
- OMB Circular A-122, Cost Principles for Non-Profit Organizations

- OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations
- WIA Draft Directive [WIADD-64](#), Subject: Procurement and Disposal of Property with a Value of \$5,000 or More (December 30, 2003)

STATE-IMPOSED REQUIREMENTS:

This directive does not contain any State-imposed requirements.

FILING INSTRUCTIONS:

This directive supercedes WIA Directive WIAD00-1, Subject: Allowable Costs (August 24, 2000). Retain this directive until further notice.

BACKGROUND:

The WIA Final Rule, Title 20 CFR 667.200(c), provides guidance regarding cost principles and allowable costs. Subrecipients are referred to OMB circulars for specific requirements. The OMB circulars provide guidance according to type of organization and the guidance may vary from one circular to another. Educational institutions are bound by OMB Circular A-21, governmental entities by OMB Circular A-87, nonprofit organizations by OMB Circular A-122, and for-profit organizations by Title 48 CFR Part 31. The OMB Circulars are available at the following location: www.whitehouse.gov/omb/circulars/index.html.

POLICY AND PROCEDURES:

The OMB circulars provide general principles and guidance on selected items while identifying allowable and unallowable costs. However, more restrictive city, State, or federal purchasing guidelines must take precedence. This directive contains a matrix showing the various cost items. Each column heading on the matrix references a different OMB circular that applies to the various organizations. The cost item and OMB circular reference will show a letter code and if the cost is allowable or not allowable.

In general, to be an allowable charge to WIA, a cost must meet the following principles:

- Costs must be necessary and reasonable.
- Costs must be allocable.
- Costs must be authorized or not prohibited under federal, state, or local laws or regulations.
- Costs must receive consistent treatment by the subrecipient.
- Costs must not be used to meet federal matching or cost-sharing requirements.

- Costs must be adequately documented.
- Costs must conform to federal Employment and Training Administration grant exclusions and limitations.

Expenditures of WIA funds are allowable only for those activities permitted by the WIA guidelines or federal regulations. Allowable program activities include core, intensive, and training services as described in Section 134(d)(2), (3), and (4). Additional guidance regarding supportive services and needs related payments is also provided in this section. The WIA Section 129 details the allowable and unallowable activities for the youth program.

Property/Equipment

Prior approval from the State is required before a subrecipient can charge WIA funds for property/equipment with a unit cost of \$5,000 or more. Refer to WIA Draft Directive WIADD-64.

Expenditure Restrictions

The OMB circulars require the federal agency to provide guidance regarding the purchase and construction of facilities. Under Section 667.260 of the WIA Regulations the purchase or construction of facilities is prohibited. There are a few exceptions regarding renovation and repair as detailed in this section. Leasehold improvements are also prohibited under this section. Leasehold improvements are normally the responsibility of the landlord. Any such improvements to a leased building are covered in negotiations prior to entering into the lease agreement. An example would be the building owner making improvements to comply with the Americans with Disabilities Act. This guidance is discussed in more detail in WIA Draft Directive WIADD-64.

ACTION:

Bring this directive to the attention of all affected staff and all subrecipients.

INQUIRIES:

If you require further information regarding this directive, please contact your Regional Advisor or Program Manager at (916) 653-6347 or April Grimm, Financial Management Unit, at (916) 654-7508.

BOB HERMSMEIER
Chief
Workforce Investment Division

Attachment

Cost Items Matrix

NT = Not treated in circular
 A = Allowable
 AC = Allowable with conditions
 AP = Allowable with prior approval of either the Grant Officer or Governor
 U = Unallowable
 A/U = Some categories within the particular activity are allowable, while some are not.

Note: Costs shown on the following chart identify those allowable under the various circulars. When determining whether the cost of an item is allowable under Title I of WIA, users must also refer to Title 20 CFR, Sections 667.200 through 667.268. This chart is for reference only.

In addition, when reviewing the provisions related to selected items of cost in the OMB circulars, the cost principles applied in establishing the allowability of certain items of cost apply whether the cost is treated as a direct cost or indirect cost. Failure to address a particular item of cost is not intended to imply that it is unallowable. Rather, the determination of allowability in each case should be based on the treatment or principles provided for similar or related costs. Note also, that in some instances, different cost items may be similarly named, and there may be some overlap in the cost items treated by the different circulars. Again, this chart is for reference only.

Circulars used:

- OMB Circular A-21 Cost Principles for Educational Institutions
- OMB Circular A-122 Cost Principles for Non-Profit Organizations.
- OMB Circular A-87 Cost Principles for State, Local and Indian Tribal Governments
- OMB Circular A-133 Audits of States, Local Governments and Non-Profit Organizations
- Title 48 CFR Part 31 Contract Cost Principles and Procedures

	Cost Item	Circular A-21	Circular A-122	Circular A-87	Title 48 CFR Part 31
1	Accounting systems	NT	NT	A	NT
2	Advertising and public relations	AC	AC/U	AC/U	AC
3	Advisory councils	NT	NT	A	NT
4	Alcoholic beverages	U	U	U	U
5	Alumni(ae) activities	U	NT	NT	NT
6	Asset valuations resulting business combinations	NT	NT	NT	A
7	Audit services	See A-133	See A-133	A	NT
8	Automatic electronic data processing	NT	NT	AC	NT
9	Bad debts	U	U	U	U
10	Bid and proposal costs	Item 65	Reserved	Item 65	Item 65

	Cost Item	Circular A-21	Circular A-122	Circular A-87	Title 48 CFR Part 31
11	Bonding costs	NT	A	A	NT
12	Budgeting	NT	NT	A	NT
13	Civil defense costs	AC	NT	NT	A/U
14	Commencement and convocation costs	U	NT	NT	NT
15	Communication costs	A	A	A	NT
16	Compensation for personal services	A/U	A/U	A/U	A/U
17	Contingency provisions	U	U	U	U
18	Cost of money (See also Item 40)	U	U	U	A/C
19	Deans of faculty and graduate schools	A	NT	NT	NT
20	Defense and prosecution of criminal and civil proceedings, claims, appeals, and patent infringement	AC/U	AC/U	A/U	U
21	Deferred research and development costs	NT	NT	NT	AC/U
22	Depreciation and use allowances	AC	AC	AC	AC
23	Disbursing service	NT	NT	A	NT
24	Donations and contributions	U	U	U	U
25	Economic planning costs	AC/U	AC/U	AC/U	NT/U
26	Employee morale, health and welfare costs and credits	A	A	A	U
27	Entertainment costs	U	U	U	U
28	Equipment and other capital expenditures	A/U	AP	AP	AP
29	Executive lobbying costs	U	U	U See also Item 42	U
30	Fines and penalties	U	U	U	U
31	Fund raising and investment management costs (See also Item 40)	NT	NT	U	U
32	Gains and losses on disposition of depreciable property and other capital assets and substantial relocation of federal programs (See also Item 64)	NT	NT	A	A
33	General government expenses	NT	NT	U	NT
34	Goods/services for personal use	U	U	NT	NT
35	Goodwill	NT	NT	NT	U
36	Housing and personal living expenses	U	AC/U	NT	NT
37	Idle facilities and capacity	NT	AC/U	AC/U	AC/U
38	Independent research and development	NT	Reserved	NT	AC
39	Insurance and indemnification	AC	AC	AC	A
40	Interest, fund-raising and investment management costs	A/U	AU	A/U	U
41	Labor relations costs	AC	AC	NT	AC
42	Lobbying	U	U	U	U
43	Losses on other sponsored agreements/contracts	U	U	U	U
44	Maintenance and repair costs	A	A	A	A
45	Manufacturing and repair costs	NT	NT	NT	A
46	Manufacturing and product engineering costs	NT	NT	NT	A
47	Material costs	A	A	A	A
48	Meetings and conferences	NT	A	See also Item 2	See also Item 2
49	Memberships, subscriptions, and professional activity costs	A/U	A/U See also Item 2	A/U See also Item 2	NT

	Cost Item	Circular A-21	Circular A-122	Circular A-87	Title 48 CFR Part 31
50	Motor pools	NT	NT	A	NT
51	Organization costs	NT	AP	NT	U
52	Other business expense	NT	NT	NT	A
53	Overtime, extra-pay shift, and multi-shift premiums	NT	AC	AC	See also Item 16
54	Page charges in professional journals	NT	A	NT	NT
55	Participant support costs	NT	A	NT	NT
56	Patent costs	A	A/U	NT	A/U
57	Plant protection costs	NT	NT	NT	A
58	Plant reconversion costs (See also Item 68)	NT	NT	NT	U
59	Plant security costs	U	A	NT	NT
60	Pre-agreement costs (See also Item 61)	U	NT	NT	NT
61	Pre-award costs	NT	AP	U (Formula) AP	NT
62	Pre-contract costs	NT	NT	NT	AP
63	Professional services costs	A	A	A	A
64	Profits and losses on disposition of plant equipment/other capital assets	A	A	See also Item 32	See also Item 32
65	Proposal costs (See also item 10)	AC	Reserved	AC/AP	AP
66	Publication and printing costs	NT	A/U	A	NT
67	Rearrangement and alteration costs	A	A	A	NT
68	Reconversion costs (See also Item 58)	A	A	A	NT
69	Recruiting costs	A/U	A/U	See also Item 2	A
70	Relocations costs	AC	AC	NT	A/U
71	Rental costs of buildings and equipment	AC	AC	AC	AC
72	Royalties and other costs for use of patents	A	A	NT	A
73	Sabbatical leave costs	A	NT	NT	NT
74	Scholarships and student aid costs	A	NT	NT	NT
75	Selling and marketing	U	U	NT	A/U
76	Service and warranty costs	NT	NT	NT	A
77	Severance pay	AC	AC	AC	AC
78	Special tooling and special test equipment costs	NT	NT	NT	A
79	Specialized service facilities	AC	AC	NT	NT
80	Student activity costs	U	NT	NT	NT
81	Taxes	AC	AC	AC	AC
82	Termination costs	NT	AC	NT	A/U
83	Trade, business, technical and professional activity costs	AC	AC	AC (See also Item 49)	AC
84	Training and education costs	AC	AC	AC	AC
85	Transportation	AC	AC	NT	AC
86	Travel costs	AC	AC	AC	AC
87	Termination costs applicable (See also Item 82)	AC	NT	NT	NT
88	Trustees	AC	AC	NT	NT
89	Under recovery of costs under federal agreements	U	U	U	U